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July 24, 2007

The Honorable Chairman and Members of the  
Hawaii Public Utilities Commission  
465 South King Street  
Kekuanaoa Building, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

FILED  
2007 JUL 24 P 4:13  
PUBLIC UTILITIES  
COMMISSION

Dear Commissioners:

Subject: Docket No. 2006-0386  
HECO 2007 Test Year Rate Case – June 2007 Updates – Set #4

Enclosed is the fourth set of updates to Hawaiian Electric Company, Inc.'s ("HECO") 2007 test year estimates reflected in the Application, Direct Testimonies, Exhibits and Workpapers filed with the Commission on December 22, 2006. This set includes updates to the following:

- HECO T-23 – William A. Bonnet

Very truly yours,

Dean K. Matsuura  
Director, Regulatory Affairs

Enclosure

cc: Division of Consumer Advocacy  
Sawvel & Associates, Inc.  
Utilitech, Inc.  
Dr. Khojasteh Davoodi  
Ralph Smith, Larkin & Associates  
Randall Y.K. Young, Esq. (w/o enclosure)

JUNE 2007 UPDATE

**Ref: W. Bonnet, HECO T-23, Results of Operations, Revenue Requirements**

This update incorporates the adjustments submitted by HECO's witnesses in their June 2007 Updates and responses to information requests submitted by the Consumer Advocate and the Department of Defense ("DOD") and provides revised Results of Operations at current effective rates (HECO-2301) and present rates (HECO-2302). This update also provides the supporting documents for the revised HECO-2301 and HECO-2302.

As explained by HECO's witnesses, the adjustments incorporate certain 2006 recorded amounts, correct errors and refine test year estimates in light of new information not available at the time the Company developed its direct testimonies. HECO has also tried to be responsive to issues raised by the Consumer Advocate and the DOD in their information requests and has made adjustments where appropriate.

Hawaiian Electric Company, Inc.  
Update at Current Effective Rates  
Results of Operations

HECO-2301  
DOCKET NO. 2006-0386  
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	(\$ Thousands)		Revenue Requirements to Produce 8.92% Return on Average Rate Base
	Current Effective Rates	Additional Amount	
Electric Sales Revenue	1,404,092	96,553	1,500,645
Other Operating Revenue	3,378	767	4,145
Gain on Sale of Land	500		500
<b>TOTAL OPERATING REVENUES</b>	<b>1,407,970</b>	<b>97,320</b>	<b>1,505,290</b>
Fuel	543,874		543,874
Purchased Power	386,872		386,872
Production	70,077		70,077
Transmission	10,378		10,378
Distribution	24,948		24,948
Customer Accounts	11,929		11,929
Allowance for Uncoll. Accounts	1,417	97	1,514
Customer Service	7,270		7,270
Administration & General	75,786		75,786
Gen Excise Tax Rate Incr Adj	328		328
Operation and Maintenance	1,132,879	97	1,132,976
Depreciation & Amortization	78,763		78,763
Amortization of State ITC	(1,304)		(1,304)
Taxes Other Than Income	131,209	8,619	139,828
Interest on Customer Deposits	377		377
Income Taxes	13,026	34,475	47,501
<b>TOTAL OPERATING EXPENSES</b>	<b>1,354,950</b>	<b>43,191</b>	<b>1,398,141</b>
<b>OPERATING INCOME</b>	<b>53,020</b>	<b>54,129</b>	<b>107,149</b>
<b>AVERAGE RATE BASE</b>	<b>1,202,180</b>	<b>(968)</b>	<b>1,201,212</b>
<b>RATE OF RETURN ON AVERAGE RATE BASE</b>	<b>4.41%</b>		<b>8.92%</b>

Hawaiian Electric Company, Inc.  
Update  
Results of Operations

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	Present Rates	Additional Amount	Revenue Requirements to Produce 8.92% Return on Average Rate Base
Electric Sales Revenue	1,348,635	152,004	1,500,639
Other Operating Revenue	3,329	820	4,149
Gain on Sale of Land	500		500
<b>TOTAL OPERATING REVENUES</b>	<b>1,352,464</b>	<b>152,824</b>	<b>1,505,288</b>
Fuel	543,874		543,874
Purchased Power	386,872		386,872
Production	70,077		70,077
Transmission	10,378		10,378
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Customer Accounts	11,929		11,929
Allowance for Uncoll. Accounts	1,361	153	1,514
Customer Service	7,270		7,270
Administration & General	75,786		75,786
Gen Excise Tax Rate Incr Adj	328		328
Operation and Maintenance	1,132,823	153	1,132,976
Depreciation & Amortization	78,763		78,763
Amortization of State ITC	(1,304)		(1,304)
Taxes Other Than Income	126,284	13,544	139,828
Interest on Customer Deposits	377		377
Income Taxes	(6,634)	54,134	47,500
<b>TOTAL OPERATING EXPENSES</b>	<b>1,330,309</b>	<b>67,831</b>	<b>1,398,140</b>
<b>OPERATING INCOME</b>	<b>22,155</b>	<b>84,993</b>	<b>107,148</b>
<b>AVERAGE RATE BASE</b>	<b>1,202,733</b>	<b>(1,521)</b>	<b>1,201,212</b>
<b>RATE OF RETURN ON AVERAGE RATE BASE</b>	<b>1.84%</b>		<b>8.92%</b>

Hawaiian Electric Company, Inc.  
Update at Current Effective Rates  
Results of Operations

HECO-WP-2301  
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<b>RATE OF RETURN ON AVERAGE RATE BASE</b>	<b>4.41%</b>		<b>8.92%</b>

Hawaiian Electric Company, Inc.

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Update at Current Effective Rates  
COMPOSITE EMBEDDED COST OF CAPITAL  
Estimated Average

	A	B	C	D
	<u>Capitalization</u>			
	Amount in Thousands	Percent of Total	Earnings Reqmts	Weighted Earnings Reqmts (B) x (C)
Short-Term Debt	38,971	3.08	5.00%	0.154%
Long-Term Debt	480,727	38.01	6.09%	2.314%
Hybrid Securities	27,556	2.18	7.47%	0.163%
Preferred Stock	20,586	1.63	5.51%	0.090%
Common Equity	696,826	55.10	11.25%	6.199%
Total	1,264,666	100.00		
Estimated Composite Cost of Capital				8.920%
			or	<u>8.92%</u>

Hawaiian Electric Company, Inc.

Update at Current Effective Rates  
AVERAGE RATE BASE  
(\$ Thousands)

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	Beginning Balance	End of Year Balance	Average Balance
<u>Investments in Assets Serving Customers</u>			
Net Cost of Plant in Service	1,331,363	1,370,649	1,351,006
Property Held for Future Use	517	3,567	2,042
Fuel Inventory	53,084	53,084	53,084
Materials & Supplies Inventories	12,838	12,838	12,838
Unamort. Net SFAS 109 Reg. Asset	49,429	51,405	50,417
Pension Asset	68,260	50,549	59,405
OPEB Amount	0	0	0
Unamort Sys Dev Costs	0	4,642	2,321
Unamort DSG Reg Asset	0	0	0
ARO Reg Asset	27	26	27
Total Investments in Assets	1,515,518	1,546,760	1,531,140
<u>Funds From Non-Investors</u>			
Unamortized CIAC	164,092	176,802	170,447
Customer Advances	1,001	756	879
Customer Deposits	6,369	6,827	6,598
Accumulated Def. Income Taxes	152,438	139,685	146,062
Unamort State ITC (Gross)	28,523	30,065	29,294
Unamortized Gain on Sale	1,582	1,214	1,398
Total Deductions	354,005	355,349	354,678
Difference			1,176,462
Working Cash at Current Effective Rates			25,718
Rate Base at Current Effective Rates			1,202,180
Change in Rate Base - Working Cash			(968)
Rate Base at Proposed Rates			1,201,212

Hawaiian Electric Company, Inc.

Update at Current Effective Rates  
WORKING CASH ITEMS

(\$ Thousands)

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	A	B	C	D
	COLLECTION	PAYMENT	NET	
	LAG	LAG	COLLECTION	ANNUAL
	(DAYS)	(DAYS)	LAG	AMOUNT
			(DAYS)	
			(A - B)	
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	37	17	20	537,767
O&M Labor	37	11	26	89,202
Purchased Power	37	39	(2)	386,872
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	37	32	5	118,932
Pension Asset Amortization	37	0	37	5,055
Revenue Taxes	37	66	(29)	124,843
Income Taxes-Present Rates	37	40	(3)	24,900
Income Taxes-Proposed Rates	37	40	(3)	59,375
	E	F	G	H
	AVERAGE	WORKING	AVERAGE	WORKING
	DAILY	CASH	DAILY	CASH
	AMOUNT	(PRESENT	AMOUNT	(PROPOSED
	(D/365)	RATES)	(PROPOSED)	RATES)
		(C X E)		(C X G)
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	1,473	29,467	1,473	29,467
O&M Labor	244	6,354	244	6,354
Purchased Power	1,060	(2,120)	1,060	(2,120)
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	326	1,629	326	1,629
Pension Asset Amortization	14	512	14	512
Revenue Taxes	342	(9,919)	366	(10,604)
Income Taxes-Present Rates	68	(205)		
Income Taxes-Proposed Rates	163	-	163	(488)
Total		25,718		24,750
Change in Working Cash				(968)



Hawaiian Electric Company, Inc.

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Update at Current Effective Rates  
COMPUTATION OF INCOME TAX EXPENSE

(\$ Thousands)

	Current Effective Rates	Adjustment	At Proposed Rates
Operating Revenues	1,407,970	97,320	1,505,290
Operating Expenses:			
Fuel Oil and Purchased Power	930,746		930,746
Other Operation & Maintenance Expense	202,133	97	202,230
Depreciation	78,763		78,763
Amortization of State ITC	(1,304)		(1,304)
Taxes Other than Income	131,209	8,619	139,828
Interest on Customer Deposits	377		377
Total Operating Expenses	1,341,924	8,716	1,350,640
Operating Income Before Income Taxes	66,046	88,604	154,650
Tax Adjustments:			
Interest Expense	(30,597)		(30,597)
Meals and Entertainment	81		81
	(30,516)	0	(30,516)
Taxable Income at Ordinary Rates	35,530	88,604	124,134
Income Tax Exp at Ordinary Rates	13,825	34,476	48,301
Tax Benefit of Domestic Production Activities Deduction	776		776
Tax Effect of Deductible Preferred Stock Dividends	23		23
TOTAL INCOME TAX EXPENSE	13,026	34,476	47,502

DPAD is not applicable to current effective rates; however, it is shown here to facilitate the proper calculation of revenue requirements.

Hawaiian Electric Company, Inc.  
Update at Current Effective Rates  
COMPUTATION OF TAXES OTHER THAN INCOME TAX

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(\$ Thousands)

	Rate	At Curr Eff Rates	Adjustment	At Proposed Rates
Electric Sales Revenue		1,404,092	96,553	1,500,645
Other Operating Revenue		3,378	767	4,145
Operating Revenues		1,407,470	97,320	1,504,790
Public Service Tax	5.885%	82,746	5,722	88,468
PUC Fees	0.500%	7,030	486	7,516
Franchise Tax	2.500%	35,067	2,411	37,478
Payroll Tax		6,366		6,366
TOTAL TAXES OTHER THAN INCOME TAX		131,209	8,619	139,828

Hawaiian Electric Company, Inc.

Update at Current Effective Rates  
CALCULATIONS OF REVENUE REQUIREMENTS

(\$ Thousands)

OPERATING INCOME AT CURRENT EFFECTIVE RATES:

Operating Revenues	1,407,970
Fuel and Purchased Power Expenses	930,746
Other O&M Expenses	202,133
Depreciation & Amortization Expense	78,763
Amortization of State ITC	(1,304)
Taxes Other than Income	131,209
Interest on Customer Deposits	377
Income Taxes	13,026
Total Operating Expenses	1,354,950
OPERATING INCOME AT CURRENT EFFECTIVE RATES	53,020

CALCULATIONS OF REVENUE REQUIREMENTS:

OPERATING INCOME

Rate Base at Proposed Rates	1,201,212
Proposed Rate of Return on Rate Base	x 8.92%
Operating Income	107,148
Less: Operating Income at Current Effective Rate:	53,020
INCREASE IN OPERATING INCOME	54,128

OPERATING REVENUES:

Increase in Operating Income	54,128
Operating Income Divisor (divided by)	0.55619
INCREASE IN OPERATING REVENUES	97,320
Increase in Electric Sales Revenue	96,553
Other Operating Revenue Rate	x 0.794%
Increase in Other Operating Revenues	767
	97,320

Hawaiian Electric Company, Inc.

Update at Current Effective Rates  
CALCULATIONS OF REVENUE REQUIREMENTS

(\$ Thousands)

BAD DEBT:

Increase in Electric Revenues		96,553
Bad Debt Rate	x	0.0010
INCREASE IN BAD DEBT EXPENSE		<u>97</u>

REVENUE TAX:

Increase in Operating Revenues		97,320
Less: Increase in Bad Debt Expense		(97)
		<u>97,223</u>
PSC Tax & PUC Fees Rate	x	6.385%
		<u>6,208</u>
Increase in Electric Revenues		96,553
Less: Increase in Bad Debt Expense		(97)
		<u>96,456</u>
Franchise Tax Rate	x	2.500%
		<u>2,411</u>
INCREASE IN REVENUE TAX		<u>8,619</u>

INCOME TAX:

Increase in Operating Revenues		97,320
Effective Income Tax Rate after considering revenue tax & bad debt	x	35.425%
INCREASE IN INCOME TAX		<u>34,475</u>
INCREASE IN OPERATING INCOME (check)		<u>54,129</u>

Hawaiian Electric Company, Inc.

Update at Current Effective Rates  
CALCULATIONS OF REVENUE REQUIREMENTS

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(\$ Thousands)

CHANGE IN RATE BASE:

	A	B	C	D
	EXPENSE	AVERAGE	NET	WORKING
	AMOUNT	DAILY	COLLECTION	CASH
		AMOUNT	LAG (DAYS)	REQMT
		(A/365)		(B) x (C)
Increase in Revenue Tax	8,619	24	(29)	(685)
Income Tax at present rates	24,900	68	(3)	205
Income Tax at proposed rate	59,375	163	(3)	(488)
CHANGE IN RATE BASE - WORKING CASH				(968)
Rate Base at Present Rates				1,202,180
PROPOSED RATE BASE				1,201,212
Operating Income at Present Rates				53,020
Increase in Operating Income				54,128
OPERATING INCOME AT PROPOSED RATES				107,148
PROPOSED RATE OF RETURN ON RATE BASE (check)				8.92%

Hawaiian Electric Company, Inc.

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Update at Current Effective Rates  
SUPPORT WORKSHEET

OPERATING REVENUES:

Electric Sales Revenues	1,404,092
Other Operating Revenues	3,378
Gain on Sale of Land	500

TOTAL OPERATING REVENUES	<u>1,407,970</u>
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FUEL OIL AND PURCHASE POWER EXPENSES:

Fuel Oil Expense	537,767
Fuel Related Non-labor Exp	5,207
Fuel Handling Labor Expense	900

Fuel Oil Expense	<u>543,874</u>
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Purchased Power Expense	<u>386,872</u>
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TOTAL FUEL OIL AND PURCHASE POWER EXPENSES	<u>930,746</u>
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OTHER OPERATION & MAINTENANCE EXPENSES:

Production	70,077
Transmission	10,378
Distribution	24,948
Customer Account	11,929
Allowance for Uncollectible Accounts	1,417
Customer Service	7,270
Administration & General	75,786
Gen Excise Tax Rate Incr Adj	328

TOTAL OTHER OPERATION & MAINTENANCE EXPENSES	<u>202,133</u>
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Hawaiian Electric Company, Inc.

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Update at Current Effective Rates  
SUPPORT WORKSHEET

TOTAL FUEL OIL & PP AND OTH O&M EXPENSES (LABOR/NONLABOR)	
Fuel Oil Expense	537,767
Purchase Power Expense	386,872
Total Labor Expense	
Labor Expense	89,202
Total Labor Expense	89,202
Total Nonlabor Expense	
Nonlabor Expense	113,831
Fuel Related Expense	5,207
Payroll Taxes	6,366
Bad Debt Expense	(1,417)
Pension Asset Amortization	(5,055)
	118,932
TOTAL FUEL OIL & PP, OTH O&M AND PR TAX EXPENSES	1,132,773
REVENUE TAX	
Public Service Tax	
Electric Sales Revenues	1,404,092
Other Operating Revenues	3,378
Less: Bad Debt Expense	(1,417)
Operating Revenues subject to PSC Tax	1,406,053
Public Service Tax Rate	x 5.885%
Total PSC Tax	82,746
PUC Fees	
Electric Sales Revenues	1,404,092
Other Operating Revenues	3,378
Less: Bad Debt Expense	(1,417)
Operating Revenues subject to PSC Tax	1,406,053
PUC Tax Rate	x 0.500%
Total PUC Tax	7,030

Hawaiian Electric Company, Inc.

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Update at Current Effective Rates  
SUPPORT WORKSHEET

Franchise Tax	
Electric Sales Revenues	1,404,092
Less: Bad Debt Expense	(1,417)
	<u>1,402,675</u>
Franchise Tax Rate	x 2.500%
Total Franchise Tax	<u>35,067</u>
TOTAL REVENUE TAX	<u>124,843</u>
INTEREST EXPENSE:	
Interest Charged to Operations	33,275
AFUDC Debt	(2,678)
TOTAL INTEREST EXPENSE	<u>30,597</u>
INCOME TAX EXPENSE SUMMARY	
Current	24,900
Deferred	(12,753)
State ITC	2,846
Pension Asset Amortization	(1,967)
TOTAL INCOME TAX EXPENSE	<u>13,026</u>
CALCULATIONS OF REVENUE TAX RATE:	
Franchise Tax Rate adjusted for Change in Oth Oper	
Revenues and Bad Debt	0.02478
PSC Tax Rate adjusted for Bad Debt	0.05879
PUC Tax Rate adjusted for Bad Debt	0.00499
REVENUE TAX RATE	<u>0.08856</u>
CALCULATIONS OF COMPOSITE INCOME TAX RATE:	
State Tax Rate	0.06015
Federal Tax Rate	0.35000
State Tax Rate	0.06015
Federal Tax Rate	x 0.35000
Federal Tax Effect on State Tax	<u>(0.02105)</u>
COMPOSITE INCOME TAX RATE	<u>0.38910</u>



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CALCULATIONS OF COMPOSITE CAPITAL GAINS TAX RATE:

State Capital Gains Tax Rate		0.03759
Federal Tax Rate		0.35000
State Capital Gains Tax Rate		0.03759
Federal Tax Rate	x	0.35000
Federal Tax Effect on State Capital Gains Tax Rate		(0.01316)
COMPOSITE CAPITAL GAINS TAX RATE		0.37444

CALCULATIONS OF EFFECTIVE INCOME TAX RATE:

PSC Tax & PUC Fees Rates adjusted for Bad Debt		0.06379
Franchise Tax adjusted for Change in Oth Oper Rev and Bad Debt		0.02478
Bad Debt Rate adjusted for Change in Oth Oper Rev		0.00100
Revenue Tax and Bad Debt rate		0.08956
Rev Tax & Bad Debt Reciprocal (1 - 0.08956)		0.91044
Composite Income Tax Rate	x	0.38910
EFFECTIVE INCOME TAX RATE AFTER CONSIDERING REVENUE TAX & BAD DEBT		0.35425

CALCULATIONS OF OPERATING INCOME DIVISOR:

PSC Tax & PUC Fees Rates		0.06379
Franchise Tax adjusted for Change in Oth Oper Rev		0.02478
Bad Debt Rate adjusted for Change in Oth Oper Rev		0.00100
Effective Income Tax Rate after considering revenue tax & bad debt		0.35425
		0.44381
OPERATING INCOME DIVISOR (1 - 0.44381)		0.55619

Hawaiian Electric Company, Inc.  
Update  
Results of Operations

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Hawaiian Electric Company, Inc.

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Update  
COMPOSITE EMBEDDED COST OF CAPITAL  
Estimated Average

	A	B	C	D
	<u>Capitalization</u>			
	Amount in Thousands	Percent of Total	Earnings Reqmts	Weighted Earnings Reqmts (B) x (C)
Short-Term Debt	38,971	3.08	5.00%	0.154%
Long-Term Debt	480,727	38.01	6.09%	2.314%
Hybrid Securities	27,556	2.18	7.47%	0.163%
Preferred Stock	20,586	1.63	5.51%	0.090%
Common Equity	<u>696,826</u>	<u>55.10</u>	<u>11.25%</u>	<u>6.199%</u>
Total	1,264,666	100.00		
Estimated Composite Cost of Capital				8.920%
			or	<u>8.92%</u>

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AVERAGE RATE BASE  
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	Beginning Balance	End of Year Balance	Average Balance
<u>Investments in Assets Serving Customers</u>			
Net Cost of Plant in Service	1,331,363	1,370,649	1,351,006
Property Held for Future Use	517	3,567	2,042
Fuel Inventory	53,084	53,084	53,084
Materials & Supplies Inventories	12,838	12,838	12,838
Unamort. Net SFAS 109 Reg. Asset	49,429	51,405	50,417
Pension Asset	68,260	50,549	59,405
OPEB Amount	0	0	0
Unamort Sys Dev Costs	0	4,642	2,321
Unamort DSG Reg Asset	0	0	0
ARO Reg Asset	27	26	27
Total Investments in Assets	1,515,518	1,546,760	1,531,140
<u>Funds From Non-Investors</u>			
Unamortized CIAC	164,092	176,802	170,447
Customer Advances	1,001	756	879
Customer Deposits	6,369	6,827	6,598
Accumulated Def. Income Taxes	152,438	139,685	146,062
Unamort State ITC (Gross)	28,523	30,065	29,294
Unamortized Gain on Sale	1,582	1,214	1,398
Total Deductions	354,005	355,349	354,678
Difference			1,176,462
Working Cash at Present Rates			26,271
Rate Base at Present Rates			1,202,733
Change in Rate Base - Working Cash			(1,521)
Rate Base at Proposed Rates			1,201,212

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WORKING CASH ITEMS

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(\$ Thousands)

	A	B	C	D
	COLLECTION	PAYMENT	NET	
	LAG	LAG	COLLECTION	ANNUAL
	(DAYS)	(DAYS)	LAG	AMOUNT
			(DAYS)	
			(A - B)	
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	37	17	20	537,767
O&M Labor	37	11	26	89,202
Purchased Power	37	39	(2)	386,872
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	37	32	5	118,932
Pension Asset Amortization	37	0	37	5,055
Revenue Taxes	37	66	(29)	119,918
Income Taxes-Present Rates	37	40	(3)	5,240
Income Taxes-Proposed Rates	37	40	(3)	59,374
	E	F	G	H
	AVERAGE	WORKING	AVERAGE	WORKING
	DAILY	CASH	DAILY	CASH
	AMOUNT	(PRESENT	AMOUNT	(PROPOSED
	(D/365)	RATES)	(PROPOSED)	RATES)
		(C X E)		(C X G)
ITEMS REQUIRING WORKING CASH				
Fuel Oil Purchases	1,473	29,467	1,473	29,467
O&M Labor	244	6,354	244	6,354
Purchased Power	1,060	(2,120)	1,060	(2,120)
ITEMS THAT PROVIDE WORKING CASH				
O&M Nonlabor	326	1,629	326	1,629
Pension Asset Amortization	14	512	14	512
Revenue Taxes	329	(9,528)	366	(10,604)
Income Taxes-Present Rates	14	(43)		
Income Taxes-Proposed Rates	163	-	163	(488)
Total		26,271		24,750
Change in Working Cash				(1,521)

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COMPUTATION OF INCOME TAX EXPENSE

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	Present Rates	Adjustment	At Proposed Rates
Operating Revenues	1,352,464	152,824	1,505,288
Operating Expenses:			
Fuel Oil and Purchased Power	930,746		930,746
Other Operation & Maintenance Expense	202,077	153	202,230
Depreciation	78,763		78,763
Amortization of State ITC	(1,304)		(1,304)
Taxes Other than Income	126,284	13,544	139,828
Interest on Customer Deposits	377		377
Total Operating Expenses	1,336,943	13,697	1,350,640
Operating Income Before Income Taxes	15,521	139,127	154,648
Tax Adjustments:			
Interest Expense	(30,597)		(30,597)
Meals and Entertainment	81		81
	(30,516)	0	(30,516)
Taxable Income at Ordinary Rates	(14,995)	139,127	124,132
Income Tax Exp at Ordinary Rates	(5,835)	54,134	48,299
Tax Benefit of Domestic Production Activities Deduction	776		776
Tax Effect of Deductible Preferred Stock Dividends	23		23
TOTAL INCOME TAX EXPENSE	(6,634)	54,134	47,500

DPAD is not applicable to present rates; however, it is shown here to facilitate the proper calculation of revenue requirements.

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COMPUTATION OF TAXES OTHER THAN INCOME TAX

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	Rate	At Present Rates	Adjustment	At Proposed Rates
Electric Sales Revenue		1,348,635	152,004	1,500,639
Other Operating Revenue		3,329	820	4,149
Operating Revenues		1,351,964	152,824	1,504,788
Public Service Tax	5.885%	79,483	8,985	88,468
PUC Fees	0.500%	6,753	763	7,516
Franchise Tax	2.500%	33,682	3,796	37,478
Payroll Tax		6,366		6,366
TOTAL TAXES OTHER THAN INCOME TAX		126,284	13,544	139,828

Hawaiian Electric Company, Inc.

Update  
CALCULATIONS OF REVENUE REQUIREMENTS

(\$ Thousands)

OPERATING INCOME AT PRESENT RATES:

Operating Revenues	1,352,464
Fuel and Purchased Power Expenses	930,746
Other O&M Expenses	202,077
Depreciation & Amortization Expense	78,763
Amortization of State ITC	(1,304)
Taxes Other than Income	126,284
Interest on Customer Deposits	377
Income Taxes	(6,634)
Total Operating Expenses	1,330,309
OPERATING INCOME AT PRESENT RATES	22,155

CALCULATIONS OF REVENUE REQUIREMENTS:

OPERATING INCOME

Rate Base at Proposed Rates	1,201,212
Proposed Rate of Return on Rate Base	x 8.92%
Operating Income	107,148
Less: Operating Income at Present Rates	22,155
INCREASE IN OPERATING INCOME	84,993

OPERATING REVENUES:

Increase in Operating Income	84,993
Operating Income Divisor (divided by)	0.55615
INCREASE IN OPERATING REVENUES	152,824
Increase in Electric Sales Revenue	152,004
Other Operating Revenue Rate	x 0.539%
Increase in Other Operating Revenues	820
	152,824



Hawaiian Electric Company, Inc.

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CALCULATIONS OF REVENUE REQUIREMENTS

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BAD DEBT:

Increase in Electric Revenues		152,004
Bad Debt Rate	x	0.0010
INCREASE IN BAD DEBT EXPENSE		<u>153</u>

REVENUE TAX:

Increase in Operating Revenues		152,824
Less: Increase in Bad Debt Expense		<u>(153)</u>
		152,671
PSC Tax & PUC Fees Rate	x	<u>6.385%</u>
		9,748
Increase in Electric Revenues		152,004
Less: Increase in Bad Debt Expense		<u>(153)</u>
		151,851
Franchise Tax Rate	x	<u>2.500%</u>
		3,796
INCREASE IN REVENUE TAX		<u>13,544</u>

INCOME TAX:

Increase in Operating Revenues		152,824
Effective Income Tax Rate after considering revenue tax & bad debt	x	<u>35.422%</u>
INCREASE IN INCOME TAX		<u>54,134</u>
INCREASE IN OPERATING INCOME (check)		<u>84,993</u>

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CALCULATIONS OF REVENUE REQUIREMENTS

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CHANGE IN RATE BASE:

	A	B	C	D
	EXPENSE	AVERAGE	NET	WORKING
	AMOUNT	DAILY	COLLECTION	CASH
		AMOUNT	LAG (DAYS)	REQMT
		(A/365)		(B) x (C)
Increase in Revenue Tax	13,544	37	(29)	(1,076)
Income Tax at present rates	5,240	14	(3)	43
Income Tax at proposed rate	59,374	163	(3)	(488)
CHANGE IN RATE BASE - WORKING CASH				(1,521)
Rate Base at Present Rates				1,202,733
PROPOSED RATE BASE				1,201,212
Operating Income at Present Rates				22,155
Increase in Operating Income				84,993
OPERATING INCOME AT PROPOSED RATES				107,148
PROPOSED RATE OF RETURN ON RATE BASE (check)				8.92%

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SUPPORT WORKSHEET

OPERATING REVENUES:

Electric Sales Revenues	1,348,635
Other Operating Revenues	3,329
Gain on Sale of Land	500

TOTAL OPERATING REVENUES	<u>1,352,464</u>
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FUEL OIL AND PURCHASE POWER EXPENSES:

Fuel Oil Expense	537,767
Fuel Related Non-labor Exp	5,207
Fuel Handling Labor Expense	900

Fuel Oil Expense	<u>543,874</u>
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Purchased Power Expense	<u>386,872</u>
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TOTAL FUEL OIL AND PURCHASE POWER EXPENSES	<u>930,746</u>
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OTHER OPERATION & MAINTENANCE EXPENSES:

Production	70,077
Transmission	10,378
Distribution	24,948
Customer Account	11,929
Allowance for Uncollectible Accounts	1,361
Customer Service	7,270
Administration & General	75,786
Gen Excise Tax Rate Incr Adj	328

TOTAL OTHER OPERATION & MAINTENANCE EXPENSES	<u>202,077</u>
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SUPPORT WORKSHEET

TOTAL FUEL OIL & PP AND OTH O&M EXPENSES (LABOR/NONLABOR)	
Fuel Oil Expense	537,767
Purchase Power Expense	386,872
Total Labor Expense	
Labor Expense	89,202
Total Labor Expense	89,202
Total Nonlabor Expense	
Nonlabor Expense	113,775
Fuel Related Expense	5,207
Payroll Taxes	6,366
Bad Debt Expense	(1,361)
Pension Asset Amortization	(5,055)
	118,932
TOTAL FUEL OIL & PP, OTH O&M AND PR TAX EXPENSES	1,132,773
REVENUE TAX	
Public Service Tax	
Electric Sales Revenues	1,348,635
Other Operating Revenues	3,329
Less: Bad Debt Expense	(1,361)
Operating Revenues subject to PSC Tax	1,350,603
Public Service Tax Rate	x 5.885%
Total PSC Tax	79,483
PUC Fees	
Electric Sales Revenues	1,348,635
Other Operating Revenues	3,329
Less: Bad Debt Expense	(1,361)
Operating Revenues subject to PSC Tax	1,350,603
PUC Tax Rate	x 0.500%
Total PUC Tax	6,753

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SUPPORT WORKSHEET

Franchise Tax	
Electric Sales Revenues	1,348,635
Less: Bad Debt Expense	(1,361)
	<u>1,347,274</u>
Franchise Tax Rate	x 2.500%
Total Franchise Tax	<u>33,682</u>
TOTAL REVENUE TAX	<u>119,918</u>
INTEREST EXPENSE:	
Interest Charged to Operations	33,275
AFUDC Debt	(2,678)
TOTAL INTEREST EXPENSE	<u>30,597</u>
INCOME TAX EXPENSE SUMMARY	
Current	5,240
Deferred	(12,753)
State ITC	2,846
Pension Asset Amortization	(1,967)
TOTAL INCOME TAX EXPENSE	<u>(6,634)</u>
CALCULATIONS OF REVENUE TAX RATE:	
Franchise Tax Rate adjusted for Change in Oth Oper	
Revenues and Bad Debt	0.02484
PSC Tax Rate adjusted for Bad Debt	0.05879
PUC Tax Rate adjusted for Bad Debt	0.00499
REVENUE TAX RATE	<u>0.08863</u>
CALCULATIONS OF COMPOSITE INCOME TAX RATE:	
State Tax Rate	0.06015
Federal Tax Rate	0.35000
State Tax Rate	0.06015
Federal Tax Rate	x 0.35000
Federal Tax Effect on State Tax	<u>(0.02105)</u>
COMPOSITE INCOME TAX RATE	<u>0.38910</u>

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SUPPORT WORKSHEET

CALCULATIONS OF COMPOSITE CAPITAL GAINS TAX RATE:

State Capital Gains Tax Rate	0.03759
Federal Tax Rate	0.35000

State Capital Gains Tax Rate	0.03759
Federal Tax Rate	x 0.35000

Federal Tax Effect on State Capital Gains Tax Rate	(0.01316)
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COMPOSITE CAPITAL GAINS TAX RATE	<u>0.37444</u>
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CALCULATIONS OF EFFECTIVE INCOME TAX RATE:

PSC Tax & PUC Fees Rates adjusted for Bad Debt	0.06379
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Franchise Tax adjusted for Change in Oth Oper Rev and Bad Debt	0.02484
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Bad Debt Rate adjusted for Change in Oth Oper Rev	<u>0.00100</u>
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Revenue Tax and Bad Debt rate	0.08963
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Rev Tax & Bad Debt Reciprocal (1 - 0.08963)	0.91037
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Composite Income Tax Rate	x <u>0.38910</u>
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EFFECTIVE INCOME TAX RATE AFTER CONSIDERING REVENUE TAX & BAD DEBT	<u>0.35422</u>
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CALCULATIONS OF OPERATING INCOME DIVISOR:

PSC Tax & PUC Fees Rates	0.06379
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Franchise Tax adjusted for Change in Oth Oper Rev	0.02484
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Bad Debt Rate adjusted for Change in Oth Oper Rev	0.00100
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Effective Income Tax Rate after considering revenue tax & bad debt	<u>0.35422</u>
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<u>0.44385</u>
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OPERATING INCOME DIVISOR (1 - 0.44385)	<u>0.55615</u>
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